



State of Utah

Department of Natural Resources

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas & Mining

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

October 26, 2005

Mr. Kyle Isenhardt
Highway 95, P. O. Box 330120
Lake Powell, Utah 84533

Subject: Surety Release Request, Kyle Isenhardt, Happy Jack Mine, M/037/024,
San Juan County, Utah

Dear Mr. Isenhardt:

The Division apologizes for the delay in reviewing your request for release of the surety for the Happy Jack Mine. It appears there are certain issues that were never fully resolved.

On September 21, 1992, the Division received a letter where you stated your intentions to use the mine site for your business, Rescue Systems, Inc., and on November 9, 1992, we received a Notice of Intention to Commence Small Mining Operations wherein you requested that two entrances be left open for you to store inventory for the business. The Division hereby approves the commercial development alternative land use and your request to leave two portals open.

Any mine openings in addition to the two you are using need to be permanently closed. We believe there is one portal that is open, though gated, and another portal that has been closed by siltation and a large rock. It may not require additional work to close this second portal.

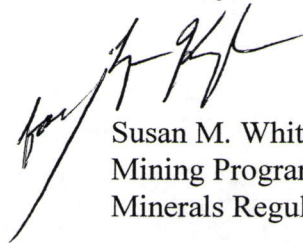
It appears from our records that all the portals were once permanently closed. An inspection report dated November 18, 1992, states, "All portals have been sealed, all regrading work has been completed, all debris on the permitted area has been removed. The site still needs to be seeded and revegetated." The bond amount was reduced to \$2000 because the portals had been reclaimed; this bond was only to cover the costs associated with revegetation, not for closing portals or regrading.

Kyle Isenhardt
Page 2 of 2
M/037/024
October 26, 2005

You apparently spoke with Doug Jensen of our office about the possibility of recommencing mining operations. Probably the simplest way to do this would be to gain release from the existing reclamation requirements by backfilling the two portals not being used for storage, and then to file a new notice of intention. For a site with less than five acres of disturbance, this would be a Notice of Intention to Commence Small Mining Operations which is a relatively simple form and approval process. It does, however, require a reclamation surety. If you desire to conduct mining operations under the existing notice of intention, you would need to amend it to show what facilities you would use and submit additional surety to cover the costs for reclamation.

Thank you for your cooperation. If you have questions about this letter, please contact Paul Baker at 801-538-5261.

Sincerely,

A handwritten signature in black ink, appearing to be "Susan M. White", written over a horizontal line.

Susan M. White
Mining Program Coordinator
Minerals Regulatory Program

SMW:PBB:jb
Enclosure: Bond Release Findings
O:\M037-SanJuan\M0370024-HappyJack\Final\rel-10262005.doc

Bond Release Findings

Mine Name: Happy Jack Mine
Operator: Kyle Isenhart
Hwy. 95, Box 33120
P.O. Box 112410
Lake Powell, Utah 84533-0120

I.D. No.: M/037/024
Mineral Ownership: Fee
Surface Ownership: Fee
Permit Term: Permit issued in 1984

Disturbed Area: 9 acres

Regraded:

Reseeded:

Acres Bonded: 9 acres

Acres Proposed for Release: 9 acres

Surety

Amount: \$2000

Form: Certificate of Deposit

Renewable Term: 5 years (2002 dollars)

Setting and Premining Environment

The mine is located just west of SR 95 about 12 miles south of Hite Crossing on Lake Powell. It is the site of one of the most productive uranium/copper mines in southeast Utah. The mine was originally opened as a copper mine in 1900, and uranium was discovered in about 1920. Beginning in 1949, technological advances made it possible to economically mine the uranium, and the site was a major contributor to the 1950's uranium boom.

Before the mine was built, the area was very remote with access only by rough dirt roads. The land uses were wildlife habitat with limited grazing. The mine was built on a steep, rocky slope, so soils were thin and not well developed. Vegetation cover on surrounding slopes was estimated to be less than five percent, and dominant species are Indian ricegrass, shadscale, pinyon, and juniper. Since SR 95 was built in the mid-1970's, the area has become much more accessible.

All drainages in the immediate area of the mine are ephemeral, but White Canyon, which is about one mile to the east, has flowing water year round except in unusually hot, dry seasons.

Operations

The site has been idle since 1983. The mine was originally developed as a surface mine, and overburden was placed to create a pad. Six portals were later driven from the level of the pad into the Chinle Formation. Very little waste was produced by the mine; the pad consists almost entirely of overburden from the surface mining phase of the operation.

The surface area is bowl shaped with highwalls about 75 feet high. It appears the site had two permanent buildings with other portable facilities.

Regrading and portal closure were completed in 1991. The annual report for 1999 indicates topsoil was spread on a portion of the mine pad to cover the clay surface. This area was seeded in 1999 and apparently in some subsequent years.

The permit was transferred to Kyle Isenhardt on April 1, 1993. Mr. Isenhardt has made it clear since he acquired the property that he had no intention of mining but to use it for his rescue equipment business (Rescue Systems, Inc.).

Hole Plugging

No drill holes or vent holes are covered under the permit.

Reclamation

The reclamation plan was submitted in 1977 and contains very little detail about what reclamation would be done. According to the maps submitted as part of the plan, the only areas considered to be post-law disturbance are the access road and the top of the pad. This includes the portals and highwalls, but the only backfilling was to be around the portals. The pad outcrops were not included as part of the reclamation obligation.

The site was originally going to be reclaimed to the premining land uses of wildlife habitat and grazing, but the current operator requested a change in the land use to allow for his business to operate on the site. The land is in actuality being used for the business. The only indication that an alternative land use was approved is a handwritten memo in the file from Holland Shepherd saying:

The new owner proposes to develop portions of the site for non-mining purposes . . . After speaking with Lowell Braxton and Wayne Hedberg, we agreed that the proposed development could be designated non-mining (as defined in our rules). These areas would be removed from reclamation obligation during the permit transfer.

The Division may need to clarify this approval, but the alternative land use is feasible and is justified.

Mine Engineering

Two buildings remain on the site, and they are both being maintained and used for the business operation. One is a shop, and the other is an office with an attached warehouse. The operator is also using fuel and water tanks and the access road.

There are four open portals, three of which are gated. There is also one shallow dog hole. One of the gated portals is not being used because of unstable roof conditions. The ungated portal is partially caved and silted in, and a large rock has now fallen in front of the portal making it completely inaccessible. Two gated portals are connected through underground workings which have natural ventilation. This underground area is used to store inventory. Most of the storage areas are within about 100 feet of the portal openings, and none of the open workings goes back more than about 100 yards.

Although the operator goes in the mine portals to store and retrieve inventory, no one is in the mine for extended periods of time. The operator periodically checks radiation and radon levels in the mine and claims these levels are not dangerous.

The open underground workings are not a particular danger to the public because they are not extensive, people frequent the area as part of the active business, and because they have gates that can be closed when the areas are not in use.

Trash and old equipment—of which there was apparently a large amount—have been cleaned up.

The highwalls were not included as part of the reclamation responsibility; therefore, although they were not backfilled and they are not completely stable, the operator is not required to do any reclamation work on these slopes. The road and buildings are far enough away from the highwalls that they are not endangered by sloughing debris. The slopes above the gated portals are not as steep and are more stable.

The remaining reclamation surety of \$2000 is to cover costs to revegetate the site. When the Division reduced the bond to this amount, the portals had already been backfilled, so the only remaining reclamation was a small amount of revegetation.

The current operator, Kyle Isenhardt, submitted a Notice of Intention to Commence Small Mining Operations which the Division received November 9, 1992. In the operation plan section, the notice says, "The owner wants to use 2 entrances for storage of inventory for Rescue Systems, Inc."

It does not appear the Division ever responded to this notice or approved this request. Therefore, the existing bond is based on reclamation work that was completed then undone. The operator has requested that the Division allow the portals to remain open, but there is no record in the file that this request was approved.

Hydrology

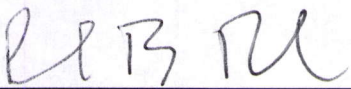
There is one ephemeral drainage channel going through the middle of the pad. It requires some maintenance but is basically stable. There are no impoundments. The permitted area is nearly flat, and most of it is compacted from vehicle traffic. Non-compacted areas have some vegetation cover. For these reasons, there is very little erosion on the permitted areas.

Revegetation

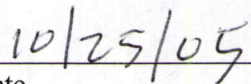
The postmining land use is commercial development. Most of the 9-acre area that was originally to be revegetated is being used for roads, buildings, and parking and storage areas for Rescue Systems, Inc.. Topsoil was spread over part of the area, this area was seeded, and a moderate amount of vegetation has become established over the last several years. Vegetation cover has not been measured.

Recommendation

I recommend that the Division approve the operator's request to leave two portals open for the postmining land use and formally approve the alternative postmining land use. Before giving bond release, the Division should require the operator to close all other open portals. Other aspects of reclamation work are adequate.



Inspector



Date